



**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-Upon Procedures

Quarters ended March 31, 2005 and June 30, 2005

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended March 31, 2005 and June 30, 2005. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office, and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the Office of State Treasurer's reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the March and June reconciliations, we agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. For the June reconciliations, we agree the bank balance to the bank confirmations. No exceptions were noted.
 - For the March and June reconciliations, we obtained explanations and examined supporting documentation for reconciling items over \$3,217,500, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
 - For the March and June reconciliations, we compared the types and amounts of reconciling items for larger and unusual items. No items were noted that were both large and unusual.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.
 - Read the Office of State Treasurer's bank reconciliation policies and procedures in order to determine if these policies and procedures were applied when the Office of State Treasurer



performed its reconciliations for the months ended March 31, 2005 and June 30, 2005. No deviation from written policy was noted.

- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected five transfers per quarter for amounts in excess of \$3,217,500 for the March and June quarters and agreed the transfer information to the applicable month's bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Selected five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero-balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.
- Obtained the Office of State Treasurer's General Account Reconciliation for the March and June quarters, summarized each quarter's reconciliations into the form of Exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in Exhibit B, and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity, and prepared the "Proof of Cash Reconciliation" in the form of Exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month's ending balances, and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget and Department of Finance.

KPMG LLP

September 2, 2005

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended March 31, 2005 and June 30, 2005

Current Quarter Findings and Recommendations

No findings or recommendations noted.

Prior Quarter Findings and Recommendations

See accompanying summary schedule of agreed-upon procedures findings.

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****General Account Cash Reconciliation**

March 31, 2005

Balance per Mellon Bank, March 31, 2005	\$ 7,338,032
Additions:	
Investments held by Morgan Bank	152,532,182
Investments held by Wilmington Trust	447,079,746
Investments held by Wachovia Bank	368,939,722
Receivables from various sources	131,909
Deposits in transit	416,499
Balance at Bank of New York, account number 343891	127,976,573
Fidelity Government Obligation Bonds 1998A	110,546,374
Balance at Wilmington Trust, DELGIP, account number 51828	138,182,636
Wilmington Trust Land and Water Conservation Trust Fund #1	65,478,795
Balance at Bank of America, Division of Corp. State Lockbox, account 2001800374	1,081,900
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 34416-0	236,826,194
Balance at Bank of America, Labor Lockbox	567,253
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,173,586
Balance at PNC Bank, DMR Special Services, account number 56-94003988	3,612
Balance at PNC Bank, Bond Account, account number 56-94010846	10,142,158
Subtotal	<u>1,661,079,139</u>
Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	77,506,915
Forgeries	6,591
Payable for bank errors	33,285
Payable to Mellon Bank	49,403
Payable to PNC Bank miscellaneous adjustments	33,328
Subtotal	<u>77,629,522</u>
Balance per State Treasurer's books, adjusted, March 31, 2005	<u><u>\$ 1,590,787,649</u></u>

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****General Account Cash Reconciliation**

June 30, 2005

Balance per Mellon Bank, June 30, 2005	\$ 8,799,549
Additions:	
Investments held by Morgan Bank	168,654,766
Investments held by Wilmington Trust	523,290,351
Investments held by Wachovia Bank	440,535,416
Receivables from various sources	128,274
Deposits in transit	401,078
Forgeries	2,456
Balance at Bank of New York, account number 343891	128,427,439
Fidelity Government Obligation Bonds 1998A	48,537,941
Balance at Wilmington Trust, DELGIP, account number 51828	100,056,256
Wilmington Trust Land and Water Conservation Trust Fund #1	63,365,799
Balance at Bank of America, Division of Corp. State Lockbox, account 2001800374	584,387
Balance at Wilmington Trust, Morgan Grenfeld Intermediate, account number 34416-0	287,961,814
Balance at Bank of America, Labor Lockbox	54,361
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,402,391
Balance at PNC Bank, DMR Special Services, account number 56-94003988	3,664
Balance at PNC Bank, Bond Account, account number 56-94010846	10,212,106
Subtotal	1,773,618,499
Deductions:	
Outstanding ZBAs – outstanding checks	65,557,016
Payable for bank errors	33,288
Payable to Mellon Bank	50,088
Payable to PNC Bank miscellaneous adjustments	35,622
Subtotal	65,676,014
Balance per State Treasurer's books, adjusted, June 30, 2005	\$ 1,716,742,034

Exhibit B**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****Proof of Cash Reconciliation****Three months ended March 31, 2005**

Balance per State Treasurer's books, January 1, 2005	\$ 1,477,795,605
Additions:	
Deposits to cash receipts journal	1,556,735,599
Outstanding cash receipts	48,871,941
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	1,147,258
Receivables for bank errors	506
Outstanding checks – prior months	197,348,342
Subtotal	1,804,103,646
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	724,951
Deposits to cash receipts journal – prior months	49,546,257
Transfer to PNC Bank for principal and interest on bonds	43,970,000
Transfer from Mellon Bank for payroll and pension direct deposit	299,565,374
Transfer from Mellon Bank to Mercantile Bank for pensions	35,058,137
Transfer from Mellon Bank for Supplemental Security Insurance	285,485
Transfer from Mellon Bank for deferred compensation	11,650
Transfer from Mellon Bank for National Data Services	13,494
Transfer from Mellon Bank for National Bond and Trust	40,106
Transfer from Mellon Bank for Coventry Healthcare	21,337,959
Transfer from Mellon Bank for Department of Transportation	6,500,000
Transfer from Mellon Bank for Bulgarian Wire	27,114
Transfer from Mellon Bank for ACI PMT	1,114,366
Transfer from Mellon Bank for PNC Bank	5,559,794
Transfer from Mellon Bank for IFTA	211,813
Transfer from PNC Bank for bank fees, State Personnel Office	5,750
Transfer from PNC Bank for bonds	22,840,174
Transfer for federal income tax, FICA, and Medicare	94,969,584
ACH transfers	413,318,073
Bad check summary	16,663
Division of Mental Retardation transfer	192,202
Transfer for cleared ZBAs	483,305,901
Transfer for outstanding ZBAs	212,496,755
Subtotal	1,691,111,602
Balance per State Treasurer's books, adjusted, March 31, 2005	\$ 1,590,787,649

Exhibit B**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****Proof of Cash Reconciliation****Three months ended June 30, 2005**

Balance per State Treasurer's books, April 1, 2005	\$ 1,590,787,649
Additions:	
Deposits to cash receipts journal	1,705,699,963
Outstanding cash receipts	10,914,024
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	487,004
Outstanding checks – prior months	231,812,735
Division of Mental Retardation transfer	52
Bad check summary	64,545
Subtotal	<u>1,948,978,323</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	356,491
Deposits to cash receipts journal – prior months	18,716,508
Receivable for bank errors	2,660
Transfer to PNC Bank for principal and interest on bonds	22,235,000
Transfer from Mellon Bank for payroll and pension direct deposit	338,486,647
Transfer from Mellon Bank to Mercantile Bank for pensions	34,843,521
Transfer from Mellon Bank for Supplemental Security Insurance	191,533
Transfer from Mellon Bank for deferred compensation	3,404,525
Transfer from Mellon Bank for Coventry Healthcare	24,818,994
Transfer from Mellon Bank for Department of Transportation	3,000,000
Transfer from Mellon Bank for Bulgarian Wire	5,396
Transfer from Mellon Bank for ACI PMT	1,415,610
Transfer from Mellon Bank for IFTA	279,024
Transfer from PNC Bank for bank fees, State Personnel Office	5,563
Transfer from PNC Bank for bonds	3,640,625
Transfer for federal income tax, FICA, and Medicare	112,323,610
ACH transfers	480,378,648
Transfer for cleared ZBAs	559,056,745
Transfer for outstanding ZBAs	<u>219,862,838</u>
Subtotal	<u>1,823,023,938</u>
Balance per State Treasurer's books, adjusted June 30, 2005	<u><u>\$ 1,716,742,034</u></u>

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Summary Schedule of Prior Agreed-Upon Procedure Findings

Fiscal year	Report finding number	Page number	1	2	3	4	Status
2005	2005 01	3	X				The State Treasurer's Office has completed the recommendation that it implement a procedure to detect posting errors on a more timely basis through validation of input in DFMS. The State Treasurer's Office currently verifies the DFMS Daily Cash Receipt Report on a daily basis. The daily total of cash receipts is added to the previous day's month-to-date total to verify the current day's month-to-date total. This monthly total is then verified with the DFMS Summary Trial Balance Report at the end of the month to ensure all totals are correct.

LEGEND:

- 1 Fully corrected.
- 2 Not corrected or partially corrected.
- 3 Corrective action taken was significantly different from the corrective action previously reported in a Corrective Action Plan.
- 4 No longer valid or warranting further action.